

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4491

August 19, 2004

R E S O L U T I O N

(RES. W-4491), ALCO WATER SERVICE (ALCO) SALINAS DISTRICT. ORDER AUTHORIZING A SURCHARGE TO RECOVER AN INCREASE IN WATER TESTING COSTS PRODUCING AN INCREASE IN ANNUAL REVENUE OF \$67,479.13 OR 1.76%.

SUMMARY

By Advice Letter No. 97, filed on May 4, 2004, ALCO seeks to add a one-time surcharge, spread over two months, to its tariff Schedule No. 1, Metered Service, resulting in an increase in annual revenues of \$67,479.13 or 1.76%. This increase is to recover water testing costs and Department of Health Services (DHS) Fees incurred from January 2003 through December 2003 over and above the amount allowed in the last general rate case. ALCO's present rates became effective on May 9, 2003, pursuant to Res. W-4417, which authorized a rate base offset. The last general rate case increase became effective February 8, 1995, pursuant to Res. W-3908. This rate increase will not result in a rate of return greater than that authorized by Res. W-3908.

BACKGROUND

ALCO requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to recover \$67,479.13 in water testing costs and DHS fees. ALCO serves approximately 8,356-metered customers in its Salinas District (District) located in Monterey County, California. Water Division (WD) reviewed all invoices for the water testing costs and the DHS fees. ALCO's recorded earnings test for the calendar year 2003 shows that the District earned a rate of return of 11.27%. This is over its authorized rate of return of 10.72% and this filing reduces the amount requested by the amount of overearning.

DISCUSSION

Res. No. W-4013, dated December 20, 1996, which expired January 1, 2002, and Res. No. W-4327 (extending the requirements of Res. No. W-4013), dated March 6, 2002, authorized all Class B, C, and D Water Utilities to establish water quality memorandum accounts (WQMA) for recording expenses resulting from drinking water regulations, including water sampling, testing, reporting, and treatment costs, and office of drinking water user fee memorandum accounts (UFMA) to track California DHS user fees not presently included in rates. Class B, C, and D Water utilities were also authorized to request recovery of these account balances by advice letter filings in accordance with General Order No. 96-A. WQMA recovery requires a resolution, while UFMA recovery does not. This advice letter requests recovery from WQMA only.

The surcharge requested herein would allow ALCO to recover the WQMA balance of \$67,479.13 from January 2003 through December 2003. The under-collections represent 1.76% over actual revenues for the year 2003. Standard Practice U-27-W recommends that if over-collections, excluding over earning in this case, are less than 2% of the last authorized revenue requirements, then the approved balance needs to be included in the next General Rate Case or next annual filing. However, WD recommends approval of the recovery amount because the company is currently under receivership and is in need of cash flow to operate the water system. However, WD recommends the surcharge be spread over four months rather than two to minimize rate shock.

Therefore, WD recommends that ALCO be authorized to assess a surcharge of \$2.02 per customer per month for four months, to recover the \$67,479.13 balance, which will be booked in WQMA balancing accounts.

Service is satisfactory. ALCO is in compliance with all Commission orders.

NOTICE AND PROTESTS

Notice of the proposed rate increase was placed in The Salinas Californian newspaper of general circulation on May 17, 2004. There were two protests concerning the proposed increase. The protests addressed the integrity of the management of the company rather than water testing aspect of this filing. The Division has responded in writing to each protestant explaining the need for the increase.

FINDINGS

1. Res. No. W-4327 authorizes all Class B, C, and D water utilities to establish WQMA's.
2. Class B, C, and D water utilities were also authorized in Res. No. W-4327 to request recovery of these account balances by advice letter filings.
3. On May 4, 2004, ALCO filed Advice Letter No. 97 to increase rates to recover water-testing costs.
4. ALCO is currently earning in excess of its last authorized rate of return of 10.72% and the excess return on investment amount has been credited to the WQMA.
5. The under-collections represent 1.76% over gross revenues for District after excluding the over earning.
6. The surcharge herein would allow ALCO to recover the WQMA balance, which totals \$67,479.13.
7. It is proper for ALCO to assess a surcharge of \$8.08 per customer, and to spread it over four months, to recover the WQMA balance. The surcharge will be \$2.02 per month per customer for four months.
8. This is an uncontested matter subject to the public notice comment exclusion provided in the PUC Code Section 311(g)(3).

THEREFORE IT IS ORDERED THAT:

1. Alco Water Service is authorized, to file an advice letter in accordance with General Order 96-A. Such filing to be effective after five days from filing. The tariffs filed with Advice Letter No. 97 shall be rejected.
2. Alco Water Service, Inc. is directed to maintain a balancing account as required by Public Utilities Code Section 792.5.

3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on August 19, 2004; the following Commissioners voting favorably thereon:

/s/ STEVE LARSON
STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
President

CARL W. WOOD

LORETTA M. LYNCH

GEOFFREY F. BROWN

SUSAN P. KENNEDY

Commissioners